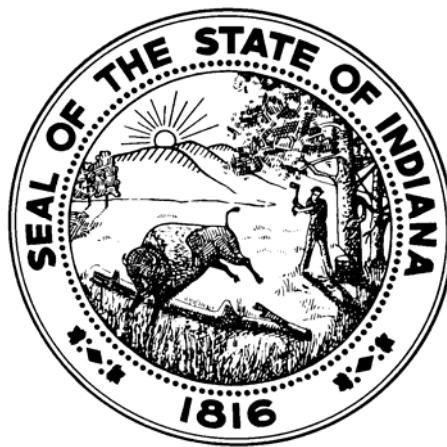


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765**

REVIEW REPORT
OF
MUSCATATUCK STATE DEVELOPMENTAL CENTER
STATE OF INDIANA
September 1, 2003 to May 14, 2006



FILED
09/13/2006

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary, Family and Social Services	John Hamilton Mary DePrez (Acting) Cheryl Sullivan Venita Moore E. Mitchell Roob, Jr.	07-01-01 to 09-30-03 10-01-03 to 10-19-03 10-20-03 to 12-17-04 12-18-04 to 01-09-05 01-10-05 to 12-31-08
Superintendent	Jacqueline Bouyea Cynthia R. Speer (Acting)	01-01-03 to 01-28-05 01-29-05 to 05-14-06



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE MUSCATATUCK STATE DEVELOPMENTAL CENTER

We have reviewed the receipts, disbursements, and assets of the Muscatatuck State Developmental Center (Developmental Center) for the period of September 1, 2003 to May 14, 2006. The Developmental Center's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Developmental Center are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

June 20, 2006

MUSCATATUCK STATE DEVELOPMENTAL CENTER
REVIEW COMMENTS

CLOSING OF MUSCATATUCK DEVELOPMENTAL CENTER

The Developmental Center was closed and no longer provides services as of April 22, 2005. The final transaction to close all financial accounts was on May 14, 2006. Accordingly, our review period was through May 14, 2006.

FIXED ASSETS NOT LOCATED

Using the Developmental Center's fixed asset listing, we selected certain fixed assets purchased during the review period to verify their existence. We were unable to locate the following fixed assets:

<u>Item No.</u>	<u>Description</u>	<u>Date Purchased</u>	<u>Quantity</u>	<u>Item Cost</u>
1	Computer, Intel Pentium	09-05-03	5	\$ 910.00
2	Computer, Intel Pentium	09-05-03	2	1,143.00
3	Laptop, ThinkPad	09-05-03	7	1,666.00
4	Camcorder and Peripherals	04-13-04	1	1,396.50
5	Printer, Laser Jet, HP	06-01-04	1	2,338.00
6	Mower, Scag	06-02-04	1	897.54
7	Mower, Scag	06-02-04	1	3,990.00
8	2003 Chevy 3/4 Ton Heavy Duty 4wd	12-29-04	1	16,900.00

According to Ronald E. Puckett, Assistant Superintendent for Administration, the computers (items 1, 2 and 3) were in a locked room currently under the control of the Military Department of Indiana (MDI). A Memorandum of Understanding approved September 13, 2004, between the State of Indiana and MDI states in part: "The State will transfer ownership to the MDI of any such items of personal property which the MDI Requests." No documentation of the requests of individual fixed assets by MDI was presented for our review.

Ronald E. Puckett did not have any information as to the whereabouts of the remaining items. The items listed above were not included on incident reports dated in February 2005 and, therefore, were not submitted to the Indiana State Police for investigation of missing fixed assets.

Using the Developmental Center's fixed asset listing, we selected certain fixed assets purchased prior to the review period to verify their existence. We were unable to locate the following fixed assets:

<u>Description</u>	<u>Date Purchased</u>	<u>Item Cost</u>
1 Ton Ford Dump Truck	01-01-73	\$ 59,000.00
Computer, Laptop	02-03-03	6,184.53
Light, Exam, Castle	06-01-94	13,039.00
Dump Truck	10-04-02	8,500.00

The Developmental Center did not conduct an annual physical inventory of fixed assets. This has been a historical condition at the Developmental Center and a similar comment was reported in prior review reports.

MUSCATATUCK STATE DEVELOPMENTAL CENTER
REVIEW COMMENTS
(Continued)

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. The physical inventory helps ensure the asset inventory is accurate, helps ensure assets have not left the agency without authorization, and helps identify unused assets. Evidence that a physical inventory was taken should be maintained. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

RECREATION FUND DISBURSEMENT PROCEDURES

The Developmental Center used an internal form for Recreation Fund purchases titled "Authorization for Purchase." This form identified the person making a request and provided for a description of items requested to be purchased. The form required authorization by either the Assistant Superintendent of Administration or the Business Administrator and also required approval of the Superintendent prior to a purchase being made. During the review period, these approvals were discontinued.

Each Recreation Fund disbursement should be documented with the purpose for the disbursement, person and department requesting the purchase, date requested, date paid, amount of payment, check number, written approval of the superintendent or designee, vendor invoice, and verification that the goods were received. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

RECREATION FUND – PURCHASE OF VEHICLES NOT APPROVED

The Developmental Center purchased two vehicles at a cost of \$19,110 from the Recreation Fund. Each vehicle cost \$9,555. Documentation was not presented for our review showing that prior approval was received from the Director of Division of Disabilities, Aging and Rehabilitative Services.

The Developmental Center's policy on the Patients' Recreation Fund states in part: "Expenditures over \$5,000 must receive prior approval from the Director of Division of Disabilities, Aging and Rehabilitative Services."

Each agency, department, institution or office also has the responsibility to comply with their own internal policies and guidelines. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

RECREATION FUND DISBURSEMENTS NOT DOCUMENTED

In December of 2004, checks were issued to Day Services personnel. Based on entries to the Recreation Fund's ledger, the disbursements were for the purpose of purchasing Christmas Gifts or other Christmas type items. The following invoices/receipts were not available and/or the cash change was not returned. The return of cash change could not be identified on the Recreation Fund ledger or on deposit information.

MUSCATATUCK STATE DEVELOPMENTAL CENTER
REVIEW COMMENTS
(Continued)

Check No.	Date	Amount	Cash Change Not Returned	No Invoices	Total Not Documented
2824	12-12-04	\$ 400.00	\$ -	\$ 400.00	\$ 400.00
2837	12-13-04	2,000.00	215.37	800.00	1,015.37
2843	12-14-04	500.00	-	500.00	500.00
2847	12-16-04	1,200.00	161.69	18.66	180.35
2850	12-21-04	1,600.00	53.37	1,000.00	1,053.37
Totals		<u>\$ 5,700.00</u>	<u>\$ 430.43</u>	<u>\$ 2,718.66</u>	<u>\$ 3,149.09</u>

The following disbursements did not have any supporting documentation such as invoices or receipts showing what items or services were purchased:

Date	Check No.	Amount	Vendor
06-03-04	2470	\$ 927.65	R.A.M. Service/Body/Graphics
06-10-04	2488	987.00	R.A.M. Service/Body/Graphics
06-24-04	2518	471.00	R.A.M. Service/Body/Graphics
06-30-04	2526	907.23	R.A.M. Service/Body/Graphics
09-01-04	2641	340.00	Video Express
09-10-04	2645	499.97	Cracker Barrel
09-16-04	2653	280.81	Wal Mart
11-30-04	2755	5,128.02	Wal Mart
01-04-05	2869	637.00	Hayden Auto
01-12-05	2930	1,125.00	Hayden Auto
03-29-05	3096	130.00	R. Scroggins
Total		<u>\$ 11,433.68</u>	

The Developmental Center's policy on the Patients' Recreation Fund states in part: "If receipts do not total the amount of the check, any balance of monies must be turned into the Cashier for redeposit into the account from which it was taken."

Each agency, department, institution or office also has the responsibility to comply with their own internal policies and guidelines. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

MUSCATATUCK STATE DEVELOPMENTAL CENTER
REVIEW COMMENTS
(Continued)

RECREATION FUND USES

The following is a summary of payments made from the Recreation Fund during the review period that customarily have been paid from state appropriations or from individual patient trust accounts when the item benefited an individual patient.

<u>Purpose</u>	<u>Amount</u>	<u>Customary Source of Payment</u>	
		<u>State Appropriations</u>	<u>Patient Trust</u>
Repair and Maintenance of Vehicle Fleet	\$ 73,478.79	Yes	N/a
Personal Items for Individual Patients	98,037.94	Yes	Yes
Mulch	1,480.00	Yes	N/a
Patient Haircuts	2,344.00	Yes	Yes
Total	<u>\$ 175,340.73</u>		

N/a - Not applicable.

In addition to the items listed above, \$1,889.33 was paid out for 600 steaks for a Developmental Center cookout and another \$1,872.62 for decorations for the cookout. At the time the payments were made, the patient census was eighty patients. We concluded that the cookout primarily benefited employees rather than patients.

Indiana Code 4-24-6-6 states in regards to the use of the Recreation Funds: "These funds shall be used, at the discretion of the superintendent or warden subject to the approval of the chief administrative officer of the department, division or state agency having administrative control and supervision over the institution, for the direct benefit of persons who are inmates or patients in such institutions, and shall not be used for any purposes which are provided by state appropriations"

CAFETERIA COLLECTIONS

On October 20, 2004, the Developmental Center stopped collecting for the sale of meal tickets.

Ronald E. Puckett, Assistant Superintendent for Administration, stated that due to the close down of the Center and the lay off of employees, the Developmental Center was not able to retain the staff to continue the sale of meal tickets. Ronald E. Puckett stated there was not a practical place for employees to eat since it is about eight miles to the nearest restaurants in North Vernon. Ronald E. Puckett stated that he and Jacqueline Bouyea, Superintendent, determined it would be a hardship on the employees to drive to North Vernon and back and eat in the time allotted. Based on the circumstances, they authorized the Developmental Center to provide all the needed materials for sandwiches, salad, fruit, and tea or lemonade at no cost to the employees as long as the dining area remained open.

Cafeteria meals may be purchased at each institution by employees for \$0.50 and by visitors (non-state employees) for \$1.00. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

MUSCATATUCK STATE DEVELOPMENTAL CENTER
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2006, with Anne W. Murphy, Family and Social Services Administration (FSSA) Chief of Staff; Sidney P. Norton, FSSA Chief Financial Officer; Kent N. Parr, FSSA Director of Institutional Finance; Paul M. Bowling, FSSA Controller; John Parks, FSSA Director of Business Operations for Disability and Reability Services; and Debra Currey, FSSA Director of Internal Audits. The official response has been made a part of this report and may be found on pages 9 and 10.




*"People
helping people
help
themselves"*

Mitchell E. Daniels, Jr., Governor
State of Indiana

Indiana Family and Social Services Administration

402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

To: Bruce Hartman, State Examiner
State Board of Accounts

From : Anne Murphy, FSSA Chief of Staff 

Date: August 29, 2006

Re: FSSA Response to Review of Muscatutuck State Developmental Center

Attached is our response to the Muscatutuck State Developmental Center review by your staff. Thank you for the opportunity to use the lessons learned through the findings of this audit in the closing of future facilities. In addition, we appreciated the extra ten days to respond to these findings.



MUSCATATUCK STATE DEVELOPMENTAL CENTER

CLOSING OF MUSCATATUCK STATE DEVELOPMENT CENTER (MSDC)

The final financial transaction was the transfer of the balance of the MSDC Recreation Fund to the Fort Wayne State Developmental Center (FWSDC) to facilitate the transition of its residents as it closes.

FIXED ASSETS NOT LOCATED

The review comments were provided to the Military Department of Indiana (MDI), the current owner/occupant of the property, to assist in verifying the existence of assets transferred. The three computers, printer and camcorder were removed by the Outreach department (BDDS) and are in use in its office at the Madison State Hospital. Releases indicating transfers of these items are available in the files of MDI. Physical location of the motorized equipment now in the possession of the MDI can be accomplished through verification of serial numbers.

RECREATION FUND DISBURSEMENT PROCEDURES

General

Responses about the findings of this audit from the state employees involved in the closing of MSDC were consistent around the following themes:

- a. There was pressure to rapidly move individuals into community placements.
- b. Funds in regular MSDC accounts were not available to pay invoices to local suppliers in a timely fashion. Some suppliers required payment upon delivery, pressuring the staff to use the one source of funding available – the recreation fund.
- c. There was pressure to reduce State personnel on site, thus impacting the ability to retain key experienced administrative staff. The accounting department was one of the earliest to be reduced.

Recreation Fund Disbursements

The MSDC closing was coordinated through a contractor, Liberty Healthcare Corporation (Liberty), working with State personnel on site. On November 23, 2004, the administration of MSDC developed and signed a procedure for the stated purpose “to properly account for and expend Recreation Funds.” The procedure was signed by the Superintendent, an employee of Liberty, and the Assistant Superintendent of Administration, then an employee of the State and now an employee of the MDI.

Most of the negative findings of the audit are dated after the institution of this procedure and represent violations of both the procedure itself and of Indiana Code provisions relating to the use of Recreation Funds. These and other findings relating to the lack of supporting documentation highlight poor fiscal accountability on the part of the administrative team in place toward the end of the closure process and inadequate fiscal oversight on the part of State officials, many of whom were leaving office due to the change in administrations.